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TAGS: [ECON](#) [ETRD](#) [ETTC](#) [SY](#)  
SUBJECT: FOR SOME SYRIANS, CIRCUMVENTING TRADE SANCTIONS IS  
ILLEGAL, BUT NOT IMMORAL

REF: A) DAMASCUS 4822 B) DAMASCUS 5142 C) DAMASCUS  
5323 D) DAMASCUS 6280 E) ANKARA 7073

Classified By: CDA: Stephen Seche for Reasons 1.5 b/d

11. (C) Summary: Trade sanctions under the Syria Accountability Act (SAA), which place a general ban on U.S. exports to Syria, have negatively impacted certain segments of the Syrian population and specific economic and commercial sectors (reftels A,B,C,D), but they have not significantly reduced the flow of U.S. goods into the Syrian market. The ease with which U.S. commodities can be purchased and shipped from Dubai, Lebanon, Turkey and other countries in the region has provided a market opening for Syrian vendors to illegally import U.S. goods and undercut the Syrian businessmen who have been willing up until now to cooperate with U.S. export licensing requirements. As a result of this competition, many Syrian businessmen who were once abiding by U.S. sanctions feel increasingly pressured to buy U.S. goods without a license in order to maintain their businesses' competitiveness in the Syrian market. End summary.

12. (C) After SAA sanctions were initially imposed in May 2004, many Syrian businessmen with long-standing ties to U.S. companies adopted a strategy that in the short-term would require them to abide by U.S. sanctions restrictions, but in the long-term would allow them to maintain their U.S. business ties during and after sanctions. Though this group is generally predisposed to building stronger ties between the U.S. and Syria and has been optimistic about the future of U.S.-Syrian relations, it is becoming progressively more disenchanted with the U.S. export license process and feels increasingly threatened by Syrian companies that are illegally importing U.S. commodities without export licenses.

13. (C) Syrian companies have exploited the limitations enplaced by the SAA to gain market share for American products by illegally importing U.S. goods from the Gulf and neighboring countries and selling them in the Syrian market at premium prices. The Syrian end-users who ultimately buy the U.S. commodities are either ignorant of or indifferent to the SAA. Syrian consumers we've queried have expressed their belief that if a product is obtained through a legitimate financial transaction, then the acquisition of the commodity is legal and the origin or components of the item are unimportant. Most Syrians are unaware that U.S. trade sanctions even exist. And of those conscious of them, most would agree with the comments of one Post contact who insisted that it is unrealistic to expect buyers of U.S. goods in the Syrian market to be responsible for determining how the products arrived in Syria. According to another Syrian, though purchasing U.S. goods in Syria might technically be illegal, it is certainly not ~~haram~~8 (morally wrong).

14. (C) Post has heard a lot of anecdotal evidence about how U.S. goods enter the Syrian market and offers the following

examples. An agent for Siemens Telecommunications says that it is well-known in the Syrian IT community that American products such as Sun Microsystems and Oracle computer equipment are being shipped from countries in Asia or from Dubai. This, he claims, is providing an escape door for local suppliers who want to sell U.S. products in Syria without obtaining an export license. In another instance, the sole distributor in Syria for Boston Scientific medical supplies recently expressed frustration that Boston Scientific products have been shipped without an export license to Syria from Europe by another vendor to fulfill a contract with a public hospital. The Boston Scientific distributor, who had competed for the same contract, said that because his business proposal built in the financial costs of the export license application process, it was less competitive. Lastly, in the past few weeks the Consular Section has interviewed several applicants who have wanted to buy used automobile parts for shipment to Syria via Dubai or Lebanon and another applicant who wanted to continue to ship synthetic yarn to Syria from his companies in Lebanon and Turkey (established after U.S. sanctions were imposed). In many cases these visa applicants, who have continually imported U.S. commodities into Syria since the imposition of sanctions, have been surprised to learn that the re-export of goods is not legal under the SAA.

15. (C) The SARG has consistently downplayed the effectiveness of U.S. sanctions and has historically helped facilitate sanctions-busting activities. After U.S. sanctions were imposed in 2004, the SARG changed its law to permit the import of goods from non-country of origin if the commodities enter the country through one of the seaports. Additionally, last year the SARG also lifted a ban on second-hand machinery imports (reftel E). In a statement to the Financial Times, Deputy Prime Minister for Economic Affairs Abdullah Dardari

said that there is "no shortage of sanctions busters willing to evade current U.S. measures against the country." A post contact in Lattakia elaborated on Dardari's statement and claimed that because U.S. companies often cannot or do not closely monitor the end-users of their products, it has been easy for Syrians to create front companies in, or ship goods directly from, third countries.

16. (C) Though other posts in the region may see other causes, recent trade statistics from the U.S. Bureau of Census World Trade Atlas may help explain how U.S. goods are still flowing into Syria. Though direct export of U.S. goods to Syria has decreased due to sanctions (so far 20 percent in 2005), the export of U.S. commodities to countries that most often re-export to Syria has increased. Comparing the first nine months in 2004 (January to September) with the same period in 2005, total U.S. exports to Jordan increased by roughly 22 percent. Exports to Saudi Arabia increased by 26 percent. UAE, a regional trade hub that serves as a major transit point for prohibited U.S. goods into Syria, witnessed a 102 percent in U.S. exports in the same period. Although U.S. exports to Lebanon have decreased (which may partially be explained by the SARG's decision in recent months to decrease the amount of Lebanese goods officially allowed into Syria), an importer-exporter in Lattakia claims that overall the imposition of U.S. sanctions has increased the number of Lebanese businessmen shipping U.S. goods to Syria by at least 50 percent.

17. (C) Syrian businessmen who are trying to abide by the mandates of U.S. sanctions law have expressed frustration about the perceived inconsistency and inefficiency of the export license process as well as the threat posed by competing vendors who are importing U.S. goods illegally. The comment of one Syrian businessman, that he believes that the USG has deliberately stopped (approving) export licenses to Syria until the end of the year (when the Mehlis investigation is concluded), highlights the sense of victimization prevalent in the community of Syrian businessmen with historical ties to the U.S. The initial willingness of Syrian businessmen to import U.S. commodities within the framework of the SAA has diminished as they have

watched their market shares (and in some cases the financial viability of their companies) erode. Post contacts have confided that for the sake of their "bottom line," they are willing to incur the costs of applying for U.S. export licenses only for "complex" commodities (e.g. often technical equipment that cannot be obtained from third countries) and prefer to purchase other U.S. goods in the Syrian market. Others have stated that while they have waited for export license decisions they have had contracts cancelled, have been charged penalty fees for not fulfilling contractual obligations, and have been blacklisted from applying for SARG tenders. In many instances these businessmen have ultimately decided to purchase U.S. goods from neighboring countries. One contact, an agent solely for a U.S. medical supplies company, has said that his business cannot endure the 6 to 8 month decision-making period for export licenses and that he has contemplated turning to Asian and European companies. Econoff recently witnessed this shift to alternate markets at a healthcare exhibition in Damascus sponsored by the Syrian-American Medical Society at which no U.S. medical supplies or equipment were displayed.

18. (C) Comment: Post has heard a consistent refrain from the Syrian business community that it, not the SARG, is bearing the brunt of the effects of the SAA. Contacts have also repeatedly expressed that though they value their business ties to the U.S. and have made considerable effort to comply with the SAA, the wide availability of competing, illegally obtained U.S. goods in the Syrian market is forcing them to choose between legality or continued financial viability. When obliged to make this decision we have and will continue to see a number of Syrian businessmen choose the latter. End comment.  
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